

# Tax Bulletin

Missouri Department of Revenue

Volume 10, No. 3

Fall/Winter 2001

## Directly Speaking . . .



It is hard to believe that tax season is just around the corner once again. While we are committed to providing the best possible customer service to Missouri's taxpayers, a variety of factors may affect how quickly we will be able to process tax returns during the upcoming tax processing season.

Between January 2 and April 15, the Missouri Department of Revenue mailroom typically receives 1,250,000 paper returns. Due to events of recent weeks and the increasing possibility of biological warfare, we have taken additional precautions to ensure the safety and security of our employees. As a result of the large volume of mail that we will receive during tax season, these additional safety precautions will undoubtedly slow the time it takes to receive and prepare a paper return for processing.

In addition, the state of Missouri is experiencing a very tight budget year; revenues are below projections. All state departments' budgets have undergone additional withholdings of up to 18 percent for Fiscal Year 2002. Due to the withholdings, the Missouri Department of Revenue may not be able to hire the usual number of temporary employees to help process the paper returns that we will receive during the tax season. As a result of these factors, the processing of income tax returns may take longer than usual. *To ensure that your return is processed and refunds are issued as quickly as possible, I encourage you to file electronically.*

While tax season is just around the corner, so, too, is legislative session. One of the many important issues that Missouri's legislators will be considering is the Streamlined Sales Tax Project (SSTP). For those of you who are unfamiliar with SSTP, it is a project undertaken by the states to modernize sales and use tax. Additional information may be found on the SSTP's home page at [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org). If you have questions, please take a few moments to review information on the web site or contact me or a member of my staff. I will keep you informed of the status of SSTP in future editions of the *Tax Bulletin*.

The Missouri Department of Revenue is striving to find ways to be more efficient and help reduce costs. As a result, this is the last paper edition of the *Tax Bulletin* that will be sent; all future editions of the *Tax Bulletin* will be available electronically. If you would like to continue receiving the *Tax Bulletin* in its new electronic format, please see page 4 for instructions on how to sign up. If you have questions or comments, please contact me or my staff.

Sincerely,

Carol Russell Fischer

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## You're Not Losing a Newsletter . . .

by Kay Dinolfo, Director of Electronic Communications, [Kay\\_Dinolfo@mail.dor.state.mo.us](mailto:Kay_Dinolfo@mail.dor.state.mo.us)

As you realize by now, this is the last paper edition of the *Tax Bulletin*. But that doesn't mean the communication is over! In fact, we hope that by using newer technologies, the Division of Taxation and Collection can transmit information even faster and more accurately than before.

One of the easiest ways to stay up to date with the department's policies, decisions, and advisories is by subscribing to one of our e-mail subscription listservs. We offer several different lists, and you are free to subscribe to one or all, as your needs and interests dictate. If you have not used a subscription e-mail listserv before, you'll find it is a convenient and quick way to get notices and bulletins from the Division of Taxation and Collection whenever circumstances warrant. The notices come right to your e-mail account, and you can save them, delete them, print them or distribute them. Because e-mail is instantaneous, it is a great way for the division to distribute news to a wide array of subscribers in the quickest way possible.

For more information about the available lists and how to sign up, please click on our subscrip-

tion listserv page at:

[www.dor.state.mo.us/tax/pros/listserv.htm](http://www.dor.state.mo.us/tax/pros/listserv.htm).

As the tax season starts, be sure to check the latest listing of useful department web addresses listed on page 6. The department tries to maintain current links to useful outside sites you may need, including the IRS, the Multistate Tax Commission, other federal agencies, and other state agencies. We hope you find that bookmarking the department's home page ([www.dor.state.mo.us](http://www.dor.state.mo.us)) opens the door to many of the forms and information you and your clients need each and every year.

We would also encourage you to check the Online Services page

[www.dor.state.mo.us/online.htm](http://www.dor.state.mo.us/online.htm). As more of our business processes move forms and information to the Internet, you will be able to keep up with the changes on this page.

Suggestions are always welcome! If you have ideas for improvements or comments about the current web site, please let us know by e-mailing [webteam@mail.dor.state.mo.us](mailto:webteam@mail.dor.state.mo.us).

## Individual Income Tax Regulations

by Lesa Morrow, Administrator, (573) 751-2578

In its continuing efforts to reduce compliance costs and increase voluntary compliance and customer satisfaction, the department has formed a team to review individual income tax regulations. This team, similar to the sales/use tax regulation team (SURG), will be reviewing existing regulations as well as promulgating new ones with the goal of providing user-friendly information on the subjects most needed. The regulations have not been updated for several years and many current individual income tax issues are not addressed by regulation. Updated, accurate regulations will not only assist practitioners and self-

preparers when researching individual income tax issues, but will also provide department employees with a valuable informational tool, ensuring that our customers are given the correct answer every time.

The team welcomes suggestions for topics that should be addressed by regulation. Those suggestions may be e-mailed to

[Lesa\\_Morrow@mail.dor.state.mo.us](mailto:Lesa_Morrow@mail.dor.state.mo.us).

Practitioners and others interested in reviewing draft regulations may subscribe to the department's e-mail listserv at

[www.dor.state.mo.us/tax/pros/listserv.htm](http://www.dor.state.mo.us/tax/pros/listserv.htm).



Missouri Department of Revenue

Bob Holden, Governor; Carol Russell Fischer, Director of Revenue; Stan Farmer, Director, Division of Taxation and Collection

*Tax Bulletin* is published three times a year by the Missouri Department of Revenue, Linda Bushman, Editor; Rita Horstman, Printing Services Coordinator; Mitzi Crump, Senior Publications Specialist. Comments and suggestions should be sent to Missouri Department of Revenue, 301 W. High St., P.O. Box 629, Jefferson City, Missouri 65105-0629, or you may submit e-mail to [Linda\\_Bushman@mail.dor.state.mo.us](mailto:Linda_Bushman@mail.dor.state.mo.us)

## Ensuring Your Clients Receive A Quick Income Tax Refund

*by Lesa Morrow, Administrator, (573) 751-2578*

As Director Fischer noted on page 1, the processing of income tax returns might be impacted if we are unable to hire temporary staff due to budget cuts in the state of Missouri. That impact could extend to you and your clients if you file paper returns. Since employees must handle paper returns before a refund can be generated, reduced staffing due to budget constraints will mean much slower processing of paper returns.

How do you avoid these possible delays? Electronically file your income tax return! Because employees are not required to input electronically filed return information into the processing system, the budget reductions will not slow processing of electronically filed returns. Electronically filed returns have a much lower error rate, meaning

fewer electronic returns are subject to a second review to correct errors detected by the department's processing system. Fewer than eight percent of the returns filed electronically in 2001 required a second error review compared to 20 percent on traditional paper filings. In addition you will save mail time and postage. Refunds can also be deposited directly into your client's bank accounts.

It is not too late to help your client get a quick refund. Check out the Internal Revenue Service web site at

[http://www.irs.ustreas.gov/plain/elec\\_svs/ero/profes.html](http://www.irs.ustreas.gov/plain/elec_svs/ero/profes.html) to find an authorized IRS e-file provider. The Missouri return can be e-filed along with the federal return, making service faster and more efficient for your client.

## 2D Barcode Update

This year the department will have eight approved software vendors participating in the 2D barcode program. Please check [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax) for the most recent listing of approved software vendors. The department will give priority processing to 2D barcode returns! When the *Tax Bulletin* went to print, the department had processed more than 193,849 2D barcode returns for tax year 2000.



## Individual Income Tax Online Filing

The department offers WEBfile, a free Internet filing application for your state individual income tax return! This application is available to you if you are a one-income filer or a combined filer and you do not itemize your deductions. You will need your 10-digit Processing Identification Number (PIN) located on the label of your 2001 tax book or postcard in order to use this application. Visit [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax) to access the department's WEBfile application.

## IMPORTANT PRODUCT INFORMATION

The Missouri Department of Revenue has discontinued the printing of the tax law books and the MO Package X; however, the department is providing alternative methods for you to obtain the forms that you need.

You may obtain the Missouri tax forms from the department's web site at [www.dor.state.mo.us/tax/forms/](http://www.dor.state.mo.us/tax/forms/) or by ordering on the Form MO-33. Missouri statutes may be obtained on the Missouri General Assembly's web site at [www.moga.state.mo.us/homestat.htm](http://www.moga.state.mo.us/homestat.htm), by writing the Revisor of Statutes, State Capitol Building, Room 117A, Jefferson City, Missouri 65101-1556, or calling (573) 526-1288.

## Tax Bulletin Online

Effective January 1, 2002, the *Tax Bulletin* will no longer be available in printed form. The department will publish an electronic version of the *Tax Bulletin* three times a year. Subscribers of the tax practitioner's listserv will be notified when the bulletin has been updated. The informational newsletter will be available on the Missouri Department of Revenue's web site at [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax).

The tax practitioner listserv is intended to be a method for the department to distribute tax information to tax professionals in an efficient, cost-effective, and timely manner. As a subscriber to the tax

practitioner listserv, you can expect bulletins about processing status and clarifications to instructions and forms, and *Tax Bulletin* updates.

If you are interested in subscribing to the tax practitioner's listserv, please follow these instructions:

Send an e-mail message to [majordomo@mail.state.mo.us](mailto:majordomo@mail.state.mo.us) and in the body of the message type "subscribe tax-practitioners" with the subject line blank. You should receive subscription confirmation within 24 hours after sending the message.

Please check the Missouri Department of Revenue's web site at [www.dor.state.mo.us/tax/cases/](http://www.dor.state.mo.us/tax/cases/) for summaries of tax-related case discussions from the Administrative Hearing Commission (Missouri's tax court), state Appellate Courts, and the Missouri Supreme Court. These are only summaries. The full text of the decision should guide the taxpayer in interpreting any part of the law. Please consult the court of record for the complete decisions.

Administrative Hearing Commission — <http://www.oa.state.mo.us/ahc/>  
Office of State Courts Administrator — <http://www.osca.state.mo.us/osca/index.nsf>

## Legislative Update

*by Office of Legislation and Regulations, (573) 751-2110*

The Governor called a Special Legislative Session in September 2001 to address the Pharmaceutical Tax Program and the Federal Tax Rebate. During this special session legislators passed four bills relating to these issues. The following is a summary of those bills.

**HB 3 & SB 4 — PHARMACEUTICAL INVESTMENT PROGRAM** — This bill, which Governor Holden signed on October 5, 2001, establishes a Missouri Senior Rx Program within the Department of Health and Senior Services for eligible seniors who reside in Missouri, and repeals the current \$200 prescription tax credit effective December 31, 2001. For more information about the new Rx Program, please contact the

Department of Health and Senior Services at (573) 526-0723.

**HB 5 & SB 3 — FEDERAL REBATE —**

This legislation, which Governor Holden signed on October 9, 2001, allows an income tax deduction for any federal advance refund or federal credit received due to the accelerated 10 percent income tax rate bracket for the 2001 tax year, as long as the federal refund or credit would otherwise increase the taxpayer's state income taxes. The total of this deduction and the current federal income tax deduction shall not exceed the limits imposed of \$5,000 for single filers and \$10,000 for married taxpayers filing a combined return.

## Free Business Tax Training Seminars

*by Customer Assistance, (573) 751-3857*

The Missouri Department of Revenue offers free business tax training seminars to familiarize new businesses with tax-related issues. The seminars cover sales tax, withholding tax, and business tax registration. Listed below are upcoming seminars:

### CAPE GIRARDEAU AREA

*June 13, 2002*

1:00 p.m. to 3:00 p.m.

Cape Girardeau Tax Assistance Center

3102 Blattner Drive, Suite 102

Cape Girardeau, MO 63702-0909

Phone: (573) 290-5850

### COLUMBIA TAX ASSISTANCE CENTER

*April 3, July 11, October 2, and December 19, 2002*

9:00 a.m. to 11:00 a.m.

1500 Vandiver Drive, Room 113

Columbia, MO 65202

Phone: (573) 884-3814

### JEFFERSON CITY AREA

*January 8, April 24, May 14, and June 11, 2002*

10:00 a.m. to 12:00 p.m.

Jefferson City Tax Assistance Center

3237 West Truman Blvd., Suite 100

Jefferson City, MO 65109

Phone: (573) 751-7191

### JOPLIN AREA

*May 22, August 21, and November 6, 2002*

9:00 a.m. to 11:00 a.m.

Joplin Tax Assistance Center

1110 East Seventh Street, Suite 400

Joplin, MO 64801-2286

Phone: (417) 629-3070

### KANSAS CITY AREA

*February 15, and May 12, 2002*

2:00 p.m. to 4:00 p.m.

Kansas City Tax Assistance Center

615 East 13th Street, Room 127

Kansas City, MO 64106-4039

Phone: (816) 889-2944

### SPRINGFIELD AREA

*January 17, February 21, March 21, April 18, May 16, and June 20, 2002*

9:00 a.m. to 11:00 a.m.

Springfield Tax Assistance Center

149 Park Central Square, Room 313

Springfield, MO 65806-1386

Phone: (417) 895-6474

### ST. JOSEPH AREA

*May 16, 2002*

1:00 p.m. to 3:00 p.m.

St. Joseph Tax Assistance Center

525 Jules, Room 314

St. Joseph, MO 64501-1900

Phone: (816) 387-2230

### ST. LOUIS AREA

*January 10, May 15, August 7, and October 9, 2002*

2:00 p.m. to 4:00 p.m.

St. Louis Tax Assistance Center

2510 South Brentwood, Suite 300

Brentwood, MO 63144-2391

Phone: (314) 301-1660

If you plan to attend a seminar, please contact the appropriate Tax Assistance Center as listed above.

## Electronic Filing Gears Up for 2002

*by Jerry Wingate, Electronic Program Coordinator, (573) 522-4300*

Missouri has had another successful year with its electronic and alternative filing programs. Steady growth in individual income tax filing, credit card payments, and business tax filing means that customers are taking advantage of the convenience, accuracy, and reliability of electronic filing. Missouri continues to partner with the IRS, the software industry, and the practitioner community to advance electronic filing initiatives.

In 2002, the individual income tax electronic filing program will expand to cover more of the available base of filers. Filers with Tax on Lump Sum



Distribution, who was formerly excluded, will now be able to file Missouri returns electronically. Also, filers who file the Form MO-CR (Credit for Income Taxes Paid to Other States) can now electronically take credit for two states per taxpayer. Credit card payments for sales tax, withholding tax, and corporation income tax are expected to be ready in 2002, which will further increase payment options available to the business community. For more information on Missouri's electronic filing initiatives, call (573) 751-3930 or e-mail [elec-file@mail.dor.state.mo.us](mailto:elec-file@mail.dor.state.mo.us).

# SIMPLIFY

## Letter Rulings

*by General Counsel's Office, (573) 751-2633*

The following is a list of the letter rulings issued during the period of August 8, 2001, to October 25, 2001.

LETTER #	DESCRIPTION
2908	Project Exemption Certificate — Municipal Projects
2918	Leases to Corporate/Political Agency
2929	Use Tax — Drop Shipments
2930	Equipment Leases
2936	Motor Vehicle Lease — Fees
2951	Food Supplements
2973	Delivery Charges
2993	Food Service Provided to Exempt Organizations
2996	Manufacturing — Replacement Machinery, Equipment, and Parts
2998	Advertising — Negatives and Transparencies
3000	Prepaid Funeral Plans
3001	Municipal Trash Service Fees
3004	Fitness Center — Hourly Fees
3017	Website Access Fees
3018	Natural Gas Used to Produce Pottery
3019	Interstate Compact Agency — Tour Business Sales
3022	Manufacturing Steel Products
3023	Fitness Center — Aerobic and Strength Training Fees
3025	Sale/Leaseback
3028	Isolated or Occasional Sale — Sale of Assets
3030	Fitness Center — Private Fitness and Nutrition Instruction
3044	Canned Software — Load and Leave
3041	Canned Software — Load and Leave Method
3049	Labor Charges — Installing, Configuring, and Testing Computer Equipment
3058	Motor Vehicle Sales Tax Refund — Buy Back Program
3060	Home Improvement Products and Installation
3090	Airplane — Purchase from Estate
3096	Manufacturing — Trays and Racks For Transportation of Property



Copies of the sanitized version of these letter rulings are available at a cost of \$1.10 plus sales tax of 6.225 percent each by writing to the Department of Revenue, General Counsel's Office, P.O. Box 475, Jefferson City, MO 65105-0475. Copies may also be obtained from the department's Internet web site at [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax).

## Important Web Addresses

*by Kay Dinolfo, Director of Electronic Communications, [Kay\\_Dinolfo@mail.dor.state.mo.us](mailto:Kay_Dinolfo@mail.dor.state.mo.us)*

Here's a handy reference list of web addresses for tax practitioners and their clients.

### DOR Home Page

[www.dor.state.mo.us/](http://www.dor.state.mo.us/)

### Taxation and Collection Home Page

[www.dor.state.mo.us/tax/](http://www.dor.state.mo.us/tax/)

### Tax Practitioner Pages

[www.dor.state.mo.us/tax/pros/index.htm](http://www.dor.state.mo.us/tax/pros/index.htm)

### General Tax Information

[www.dor.state.mo.us/tax/inform.htm](http://www.dor.state.mo.us/tax/inform.htm)

### Tax Office Listing, Including Local E-mail and Phone Contact Information

[www.dor.state.mo.us/tax/offices.htm](http://www.dor.state.mo.us/tax/offices.htm)

### Information about DOR Audits

[www.dor.state.mo.us/tax/audit/](http://www.dor.state.mo.us/tax/audit/)

### Online Services — All DOR

[www.dor.state.mo.us/online.htm](http://www.dor.state.mo.us/online.htm)

### WEBFile

[www.dors.state.mo.us/tax/webfile/](http://www.dors.state.mo.us/tax/webfile/)

### Personal Income Tax Calculator

[www.dor.state.mo.us/tax/personal/taxcalculator/](http://www.dor.state.mo.us/tax/personal/taxcalculator/)

### Online Sales Tax Filing

[www.dor.state.mo.us/tax/electronic/esalestx.htm](http://www.dor.state.mo.us/tax/electronic/esalestx.htm)

### Special Notices from the Division of Taxation and Collection

[www.dor.state.mo.us/tax/notices/](http://www.dor.state.mo.us/tax/notices/)

### Tax Forms

[www.dor.state.mo.us/tax/forms/](http://www.dor.state.mo.us/tax/forms/)



MISSOURI DEPARTMENT OF REVENUE  
DIVISION OF TAXATION AND COLLECTION  
**MISSOURI TAX FORM AND PUBLICATION ORDER**

FORM  
**MO-33**  
(REV. 9-2001)

DLN

The Missouri Department of Revenue's Form MO-33 is designed to assist you in ordering Missouri state tax forms.

Any combination of 10 forms, with the exception of listed tax publications, may be ordered without charge. To offset shipping, handling, and printing costs, orders exceeding a total of 10 forms must be accompanied by payment of \$10.00 per 100 forms (or fraction thereof) requested. Please use the price chart at the bottom of this page when figuring the amount due.

Orders will be filled and shipped in the order received, as soon as all requested forms and publications are available for distribution. Partial shipments will not be made. Orders may be submitted at any time. We do, however, ask that you order your entire anticipated annual supply at one time. In order for our office to provide you with your forms and publications in a timely manner, please place your order prior to December 1, 2001. Forms will be shipped approximately January 1, 2002. If you place an order for 2001 tax forms, a 2002 order form will automatically be sent to you in September, 2002.

**NOTE: ANY ORDER RECEIVED WITHOUT CORRECT PAYMENT, INCLUDING SALES TAX, WILL BE RETURNED TO YOU UNPROCESSED.**

**ELECTRONIC FORMS AND PUBLICATIONS**

**Forms by Fax:** To access our "Forms-by-Fax" system call (573) 751-4800 from your fax machine handset. The "Forms-by-Fax" system will take you through the steps necessary to fax you a copy of the forms you need, if available. Only current year forms are maintained on the "Forms-by-Fax" system.

**Internet/World Wide Web:** Individuals with access to the Internet can obtain informational materials and Missouri tax forms via our web site at: [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax)

**ADDRESS INFORMATION (PLEASE PRINT OR TYPE)**

COMPANY NAME

ATTENTION (IF NEEDED)

PHONE NUMBER  
(      )

STREET ADDRESS (REQUIRED)

POST OFFICE BOX

CITY

STATE

ZIP CODE

**COMPLETE THE REVERSE SIDE OF THIS FORM FIRST. THEN PROCEED BELOW.**

**PRODUCT INFORMATION**

The Missouri Department of Revenue has discontinued the printing of the tax law books and the MO Package X; however, the department has provided alternative methods for you to obtain the forms that you need.

You may obtain the Missouri tax forms from the department's web site at [www.dor.state.mo.us/tax/forms](http://www.dor.state.mo.us/tax/forms) or by ordering on Form MO-33. The Missouri statutes may be obtained on the Missouri State Government web site at [www.moga.state.mo.us/homestat.htm](http://www.moga.state.mo.us/homestat.htm), by writing the Revisor of Statutes, State Capitol Building, Room 117A, Jefferson City, MO 65101-1556, or calling (573) 526-1288.

	PUBLICATION NAME	COST PER PUBLICATION	REVISION DATE	NUMBER REQUESTED	AMOUNT DUE
A	2001 Missouri tax forms and instructions on CD-ROM/Windows (includes major IRS tax forms and major income tax forms from participating states that border Missouri)	\$ 12.00	2001		
B	Form 2643 — Missouri Tax Registration Application (complete booklet) (1-3 Free)	\$ 3.50	2001		
TOTAL NUMBER OF PUBLICATIONS ORDERED AND TOTAL COST OF PUBLICATIONS					

**PRICE CALCULATIONS**

1. Total number of forms ordered (from back of form)	
2. Cost of forms ordered (see price chart on the right)	
3. Cost of publications ordered (from above)	
4. Subtotal (add Lines 2 and 3)	
5. Tax (multiply Line 4 by 6.225%)	
6. TOTAL DUE (add Lines 4 and 5)	

**PRICE CHART**

No. of Forms	Cost
0-10	Free
11-100	\$ 10.00
101-200	\$ 20.00
201-300	\$ 30.00
301-400	\$ 40.00
Each Additional 100	\$ 10.00

After completion, send this form with a check or money order made payable to "Director of Revenue" to: **MISSOURI DEPARTMENT OF REVENUE, P.O. BOX 3022, JEFFERSON CITY, MO 65105-3022.**

INDIVIDUAL INCOME TAX FORMS				CORPORATION INCOME/FRANCHISE TAX FORMS			
	NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION		NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION
A		MO-1040/MO-A	Individual Income Tax Return and Adjustments	A		MO-1120	Corporation Income/Franchise Tax Return and Instructions
B		MO-1040A	Single/Married With One Income—Individual Income Tax Return—Short Form	B		MO-2220	Corporation Underpayment of Estimated Tax
C		MO-1040B	Married Filing Combined—Individual Income Tax Return—Short Form	C		MO-1120ES	Declaration of Estimated Tax for Corporations
D		MO-1040C	Residents/Nonresidents With Other State Income and Active Duty Military—Individual Income Tax Return—Short Form	D		MO-MS	Corporation Allocation and Apportionment of Income
E		MO-1040P	Missouri Individual Income Tax Return and Property Tax Credit Claim/Pharmaceutical Tax Credit/Pension Exemption—Short Form	E		DOR-8821	Authorization for Release of Confidential Information
F		MO-1040ES	Estimated Tax Declaration for Individuals	F		DOR-472A	Application for Tax Credit/Refund
G		MO-60	Application for Extension of Time To File	G		MO-C	Missouri Dividends Deductions
H		MO-CR	Credit for Income Taxes Paid to Other States	H		MO-1120S	S Corporation Income/Franchise Tax Return
I		MO-NRI	Missouri Income Percentage	I		MO-NRS	S Corporation Nonresident Form
J		MO-PTC	Property Tax Credit Claim/Pharmaceutical Tax Credit	J		MO-MSS	S Corporation Allocation and Apportionment Form
K		MO-PTS	Property Tax Credit Schedule and Instructions	K		MO-TC	Miscellaneous Income Tax Credits
L		MO-1041	Fiduciary Income Tax Return	L		DOR-2827	Power of Attorney
M		MO-NRF	Nonresident Fiduciary Form	TOTAL CORPORATION INCOME TAX FORMS ORDERED			
N		MO-1065	Partnership Return of Income	EMPLOYER'S WITHHOLDING TAX FORMS			
O		MO-NRP	Nonresident Partnership Form		NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION
P		MO-2210	Underpayment of Estimated Tax By Individuals	A		MO-941	Employer's Report of Income Taxes Withheld
Q		DOR-1937	Request for Photocopy of Missouri Income Tax Return	B		MO-941X	Withholding Tax Overpayment Amended Report
R		DOR-558	Military Information	C		MO-941U	Withholding Tax Underpayment Amended Report
S		MO-8453	Individual Income Tax Declaration for Electronic Filing	D		MO-941P	Quarter-Monthly Payment of Income Taxes Withheld
TOTAL INDIVIDUAL INCOME TAX FORMS ORDERED				E		MO-941F	Employer's Withholding Final Report
SALES/USE TAX FORMS				F		MO-W3	Transmittal of Wage and Tax Statements
	NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION	G		MO-W4	Employee's Withholding Allowance Certificate
A		DOR-53-1	Sales Tax Return	H		MO-96	Annual Summary and Transmittal of Form MO-99
B		DOR-53U-1	Use Tax Return	I		MO-99 MISC	Information Return for Recipients of Miscellaneous Income
C		DOR-149	Sales/Use Tax Exemption Certificate	J		MO-1ENT	Income Tax Payments for Nonresident Entertainers
D		DOR-472	Request for Sales/Use Tax Cash Bond Refund	K		MO-2ENT	Statement of Income Tax Payments for Nonresident Entertainers
E		DOR-472-B	Application for Tax Refund/Credit	TOTAL EMPLOYER'S WITHHOLDING TAX FORMS ORDERED			
F		DOR-1746	Missouri Sales/Use Tax Exemption Application	REGISTRATION TAX FORMS			
TOTAL SALES/USE TAX FORMS ORDERED					NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION
EXCISE TAX FORMS				A		DOR-2643A	Missouri Tax Registration Application (Application Only)
	NUMBER REQUESTED	FORM NUMBER	FORM DESCRIPTION	B		DOR-126	Registration Change Request
A		DOR-4923	Motor Fuel Refund Claim	TOTAL REGISTRATION TAX FORMS ORDERED			
B		DOR-4924	Motor Fuel Refund Application				
C		DOR-4925	Schedule A—Marine Fuel Purchases by County				
TOTAL EXCISE TAX FORMS ORDERED							

Questions concerning the completion of this form, or form and publication orders in general, may be addressed by calling (573) 751-5337, Monday through Friday, 7:45 a.m. to 4:45 p.m. Orders for a total of 10 or less forms may also be made by calling (800) 877-6881. These publications are available upon request in alternative accessible formats, TDD use (800) 735-2966 or fax (573) 526-1881.

## Individual Tax Forms-Update

by Rita Horstman, Forms Analyst, (573) 751-5855

The holidays are coming, and for tax practitioners that means . . . tax time is just around the corner! The Missouri Department of Revenue wants to help you make this tax season a success. We have continued efforts to simplify Missouri tax forms by forming teams to study the forms, identifying problems and solutions, and listening to customers' suggestions. See the following highlights for some of our results.

- New Form MO-PTS—Use this form to claim the PTC when filing an income tax return. (Must attach to Form MO-1040 or Form MO-1040P.) The department implemented this change to streamline processing and eliminate errors created by filing for the property tax credit separately from income tax returns.
- Revised Form MO-PTC—File Form MO-PTC **ONLY** if not filing an income tax return. (Do not attach to Form MO-1040.)
- Simplified and more understandable instructions.
- Form MO-TC revised—Our web site will include more detailed tax credit information.
- New tax credit—Demolition Tax Credit, Section 447.708, RSMo.

- Itemized Deduction Worksheet—Self-employment tax is now reported on one line rather than six.
- A deceased check box has been added to the name fields on each return.
- The private pension limit increased to \$5,000.
- Legislation passed to prevent the federal advanced refund/credit from reducing Missouri deduction for federal tax—(see the instructions for federal income tax deduction when completing your tax return).

For a more detailed review of form changes, visit our web site at: [www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax). The 2001 forms will be available online in early December. The department has included a disclaimer on the printed forms as a result of the U.S. Senate and House of Representatives' consideration of economic stimulus legislation. Please verify federal line references if a federal legislative package is passed. If you have any questions or comments regarding tax forms, please e-mail [taxsuggest@mail.dor.state.mo.us](mailto:taxsuggest@mail.dor.state.mo.us) or call (573) 751-5855. Good luck with this tax season!

## Rules Take Effect

by Office of Legislation and Regulations, (573) 751-2110

The Sales and Use Tax Regulation Group (SURG) has made substantial progress in rewriting the sales and use tax regulations. As a result of SURG's work, the department has proposed the following new sales and use tax regulations:

### 12 CSR 10-110.600 — Electrical Energy.

Section 144.030.2(12), RSMo, exempts from tax certain purchases of electrical energy used in primary or secondary manufacturing, processing, compounding, mining, or producing a product, or used in material recovery processing. This rule explains when this exemption applies and how a taxpayer may claim the exemption at the time of purchase of the electrical energy.

Proposed rule published in the *Missouri Register*, September 4, 2001. Order of Rulemaking will appear in the January 2, 2002, *Missouri Register*.

**2 CSR 10-110.955 Sales and Purchases — Exempt Organizations.** Sections 144.030.1, 144.030.2(6), 144.030.2(17), 144.030.2(19), 144.030.2(20), 144.030.2(21), 144.030.2(22), 144.030.2(27), 144.030.2(36), and 144.062, RSMo, exempt certain types of organizations from tax on certain transactions. This rule clarifies which transactions are exempt for each type of organization.

Proposed rule published in the *Missouri Register*, September 4, 2001. Order of Rulemaking has been filed with the Joint Committee on Administrative Rules.

### 12 CSR 10-111.100 — Commercial Printers.

Section 144.020.1(1), RSMo, taxes the retail sale of tangible personal property. Section 144.030.2(2), RSMo, exempts materials that become a component part or ingredient of new personal property which is intended to be sold ultimately at retail. Sections 144.030.2(4) and (5), RSMo, exempt certain machinery, equipment, and parts for replacement or for a new or expanded plant. This rule explains the taxation rules for commercial printers and what elements must be met to qualify for these exemptions. This rule does not address the exemption relating to newspaper publishing contained in section 144.030.2(8), RSMo, or the exemption relating to advertising contained in section 144.034, RSMo.

Proposed rule published in the *Missouri Register*, November 15, 2001. Comment period concludes December 15, 2001.

If you would like to receive a copy of any of the rules listed above, please contact the office of the Secretary of State, Administrative Rules Division, P.O. Box 778, Jefferson City, MO 65102.

## COURT CASES

by General Counsel's Office, (573) 751-2633

## INCOME TAX

**Robert R. and Signa M. Hermann v. Director of Revenue**, Case No. SC82897 (Missouri Supreme Court, en banc, 5/15/2001)

Robert R. and Signa M. Hermann (Taxpayers) sought review of the denial by the Administrative Hearing Commission (AHC) of a tax credit claimed on their 1996 Missouri income tax return for the distributive share of taxes that Hermann Companies paid to the state of Arkansas.

In 1996, Taxpayer was a shareholder in Hermann Companies, which filed an S corporation federal income tax return, an S corporation return for state taxes in Missouri, and a C corporation state tax return in Arkansas. Section 143.081.3, RSMo, provides a tax credit to resident S corporation shareholders for income tax paid to another state on behalf of S shareholders. Taxpayers contended the C corporation taxes paid in Arkansas by Hermann Companies qualified as a composite payment made on behalf of the resident shareholders of the Missouri S corporation, thus making the Taxpayers eligible for the tax credit under Section 143.081, RSMo.

The Court rejected this argument, construing the tax credit was strictly and narrowly against the Taxpayer. The Court noted that Section 143.081, RSMo, specifically states that the payment must be made "by the S corporation." The Hermann Companies elected to make the payment of income

taxes in Arkansas as a C corporation, therefore, the Missouri S corporation tax credit under Section 143.081, RSMo, does not apply.

The Court ruled that where a Missouri S corporation pays taxes in another state when it has elected to use the C corporate form, the tax credit to benefit Missouri S corporation shareholders under Section 143.081, RSMo, does not apply.



## INCOME TAX

## Medicine Shoppe

**International, Inc. v. Director of Revenue**, Case No. 99-2414 RI (AHC, 7/16/01).

The Administrative Hearing Commission (AHC) upheld the director's treatment of income from loan origination fees and interest income on money loaned to the Medicine Shoppe International, Inc.'s (Taxpayer) non-Missouri franchisees as income from transactions partly within and partly without Missouri for purposes of single factor apportionment under Section 143.451, RSMo.

The Taxpayer's headquarters was in Missouri and its primary business was franchising retail pharmacies throughout the United States. The Taxpayer financed many of its franchisees, including those located outside Missouri. Financing activities were directed from the Missouri headquarters.

The Taxpayer used the single factor method of apportionment for all the periods in dispute. On its Missouri income tax returns for 1990, 1991, and

1992, the Taxpayer reported loan origination fees and interest from its franchisees as income apportioned to Missouri, but did not include this income in the apportionment computation. The Taxpayer later filed amended returns to report this income as non-Missouri source income. It also reported the same kind of income as non-Missouri source income on its returns for 1993 and two short periods beginning in 1995. The director disallowed the non-Missouri source income on the various returns and reclassified this income as income from transactions partly within and partly without Missouri. The director denied refund claims for 1990, 1991, 1992, and 1993; issued assessments for 1992 and 1993; and reduced the Taxpayer's overpayments for the two short periods. The Taxpayer protested each of these actions.

The AHC found that the overall effort of the activities that produced the loan origination fees and interest paid by the out-of-state franchisees is controlled from the Taxpayer's Missouri headquarters, so the "brains" of the operation is located in Missouri. The AHC further found that the Taxpayer's financing of out-of-state franchisees was not a mere passive investment of capital. From its Missouri headquarters, the Taxpayer was actively establishing and maintaining financing with its franchisees and these activities are an efficient cause that contributes directly to the production of income.

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The AHC held that this income was properly disallowed as non-Missouri source income and properly classified as income from sales partly within and partly without Missouri within the meaning of Section 143.451.2, RSMo. It upheld the director's assessments and denials of refund claims.



## INCOME TAX

**Eddie Bauer, Inc. v. Director of Revenue**, Case No. 00-1470 RI (AHC, 7/9/01).

Eddie Bauer, Inc. (Taxpayer) is a member of an affiliated group of corporations that have filed consolidated federal income tax returns. Prior to the Missouri Supreme Court's decision in **General Motors Corp. v. Director of Revenue**, 981 S.W.2d 561 (Mo. banc 1998), Taxpayer, who was subject to Missouri income tax, had filed Missouri returns on a separate-company basis because the affiliated group did not meet the requirement of Section 143.431.3(1), RSMo. After the General Motors decision, the affiliated group filed consolidated Missouri returns for the tax years 1995, 1996, and 1997.

The Administrative Hearing Commission (AHC) based its opinion on the fact that this case involves a consolidated return, which certain taxpayers may choose as an option if they timely elect to do so. The AHC found a separate company filed separate-company returns, but the separate company has not filed claims for refund. The group attempted to file consolidated returns, billed as "amended" returns, when there was no consolidated return in the first

instance. Taxpayer originally filed on a separate-company basis; thus, the consolidated returns do not qualify as amended returns. The statutory refund procedures are a narrow waiver of the state's sovereign immunity, therefore they must be strictly construed.

The AHC ruled the refunds were properly denied because the affiliated group was not entitled to file the consolidated returns because it did not timely elect to do so, nor was the parent corporation or the affiliated group the "taxpayer" who paid the taxes and would thus be entitled to bring refund claims under Section 143.801, RSMo. Because members of the affiliated group originally filed on a separate-company basis, the consolidated returns do not qualify as amended returns.



## INCOME TAX

**William I. & Rosa L. Andress v. Director of Revenue**, Case No. 99-3270 RI (AHC, 5/4/01)

On April 15, 1998, William I. and Rosa L. Andress (Taxpayers) mailed two envelopes by certified mail. One envelope was mailed to the Internal Revenue Service (IRS), and one was mailed to the Missouri Director of Revenue. One envelope contained check number 1180, made payable to the Missouri Department of Revenue for \$16,946, and the other envelope contained check number 1179, made payable to the IRS for \$12,080. Both of these checks were mailed to pay taxes due for tax year 1997. The Director of Revenue did not receive the check for

\$16,946.

On April 20, 1998, the IRS cashed check number 1180 for \$16,946. Although this check was made payable to the Director of Revenue, the check cleared (the bank) on that date. On May 22, 1998, the IRS cashed check number 1179 for \$12,080. On November 30, 1998, the IRS refunded \$16,946 to the petitioners as an overpayment. On January 26, 1999, the Director of Revenue issued a final decision assessing petitioners \$8,261.43 in tax, \$602.07 in interest, and \$413.07 in additions for tax year 1997.

Taxpayers did not dispute that they owe tax as Missouri residents. They argued that they timely paid their Missouri income tax because they mailed their check by certified mail to the Director of Revenue with a postmark of April 15, 1998. Thus, Taxpayers argued that they should be entitled not only to a return of interest paid, but to interest on the amount of interest paid. Taxpayers did not prove the check was mailed to the department.

The Administrative Hearing Commissioner found that because Taxpayers did not mail or deliver their check to the Director of Revenue, the director was correct in not allowing the use of the postmark date as the date of payment. Thus, Taxpayers paid their 1997 taxes late, and owe the interest assessed pursuant to Section 143.731.1, RSMo. Taxpayers are not entitled to receive interest from the director on this amount.

# Tax Calendar

## Due Dates for January – April 2002

### January

- 2 Motor Fuel Suppliers Reports
- 4 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 15 Declaration of Estimated Tax for  
Individuals  
Cigarette Tax Credit Account & Return  
Other Tobacco Products Monthly Reports
- 18 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 22 Cigarette Tax Cash Accounts Return
- 25 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 30 Quarterly Insurance Tax Payments Due
- 31 Monthly Sales/Use Tax Returns  
Quarterly Sales/Use Tax Returns  
Annual Sales/Use Tax Returns  
Quarterly Withholding Returns  
Monthly Withholding Returns  
Annual Withholding Returns  
Motor Fuel Distributor Reports  
Tire Fee Due

### February

- 4 Motor Fuel Suppliers Reports
- 5 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 13 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 15 Monthly Withholding Returns  
Cigarette Tax Credit Account & Return  
Other Tobacco Products Monthly Reports  
Other Tobacco Products Annual License
- 20 Monthly Sales/Use Tax Returns

- Cigarette Tax Cash Accounts Return
- 21 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 27 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 28 Motor Fuel Distributor Reports

### March

- 1 MO-1040 for Farmers to Achieve  
Underpayment Status  
Quarterly Insurance Tax Payment
- 4 Motor Fuel Suppliers Reports
- 5 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 12 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 15 Monthly Withholding Return  
Cigarette Tax Credit Account & Return  
Other Tobacco Products Monthly Report  
Calendar Year Cooperatives with an  
Automatic Extension to file 2000  
Form MO-1120
- 20 Monthly Sales/Use Tax Return  
Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment  
Cigarette Tax Cash Accounts Return
- 27 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment

### April

- 1 Motor Fuel Distributors Reports
- 2 Motor Fuel Suppliers Reports
- 4 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 10 Quarter-Monthly Sales Tax

- Quarter-Monthly Withholding Payment
- 15 Estimated Tax Declarations  
for Individuals  
Estimated Tax Declarations for Calendar  
Year Corporations  
Form MO-1120 for Calendar Year  
Foreign Corporations  
Forms MO-1040, MO-1040A,  
MO-1040B, MO-1040C, MO-1040P,  
MO-PTC/MO-PTS, MO-1040V,  
MO-1041, MO-1065, MO-1120,  
MO-1120A, MO-FT and  
MO-1120S  
Form MO-60 – Extension Request  
Cigarette Tax Credit Account & Return  
Financial Institutions Tax Return  
Other Tobacco Products Monthly Report  
Annual Consumer's Use Tax Return  
Franchise Tax Returns
- 18 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 22 Cigarette Tax Cash Accounts Return
- 25 Quarter-Monthly Sales Tax  
Quarter-Monthly Withholding Payment
- 30 Monthly Sales/Use Tax Returns  
Quarterly Sales/Use Tax Returns  
Quarterly Withholding Payment  
Monthly Withholding Reports  
Motor Fuel/Distributors Reports  
Tire Fee Due  
Quarterly Insurance Tax Payment

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